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MAR 6

TO : DEPARTMENT OF STATE

INFO : PARIS

FROM : AMEMBASSY, ROME

DATE: March 4, 1968

SUBJECT : CIVAIR: Press Comment on Alitalia Show Cause Hearing

REF :

Attached as an enclosure to this airgram is article from the February 24, 1968 edition of Paese Sera, a crypto-Communist afternoon daily. While the article contains many inaccuracies and misinterpretations, it may be of interest because:

1) the left-wing press has rarely devoted much attention to the bilateral aviation dispute between Italy and the US;

2) the general lines of argument are the same as those used by the center and right-wing press, with which the Embassy and Washington have become very familiar these past years;

3) while there are one or two criticisms of the Italian Government for its ineffectiveness in dealing with this issue, they are rather mild considering the source.

Enclosure: as stated

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A-874
From: Rome
Enclosure 1

IL PAESE SERA, Rome
February 24, 1968

SUBJECTS OF THE U.S.A. ALSO IN THE SKY?
by Italo Avellino

On February 29, Alitalia and the U.S. airlines operating in Italy (TWA, Pan American and Seaboard) will submit to the Civil Aeronautics Board their respective requests and conclusions on the thorny dispute of the "open skies", which has been dragging on for years with obvious damage to our flag airline, even though last May, after useless waiting, the Italian Government at long last denounced the bilateral agreement which regulated air transport between Italy and the U.S. At present, after the termination of the agreement, air relations between us and the United States are under a regime of temporary concession on the basis of the status quo, i.e. of the preceding situation. But it is obvious that this "temporary" arrangement cannot last forever.

On the eve of this meeting, the last of many, relations between Rome and Washington have grown more than tense, and the situation threatens to grow even worse unless something new will happen when resuming the negotiations. Judging by the past performance of our Government, which has always tried to soft-pedal this serious issue, nothing much is expected other than a further postponement for the usual "clarifications", although in fact the matter has been more than exhaustively treated.

The basic issue in the dispute which has led to the denouncing of the air agreement between Italy and the United States is that our pilots are denied the "freedom of the air" that was sanctioned in five articles by the Chicago Convention of 1944. In particular, Alitalia is denied the "fifth freedom" which, if respected or granted, should enable Italian airlines to embark, carry and debark passengers and freight on the route from Italy to the U.S. and beyond, without any limitation. And it is that very beyond which is now denied to Alitalia only.

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The origin of the dispute, which is not only juridical but involves considerable economic and industrial interests, dates back to the immediate postwar period when, on February 6, 1948, a bilateral agreement was signed which regulated civil air transport between Italy and the U.S. Under the protocol, drawn up at a time of even more marked Italian subjection to the U.S., the U.S. airlines were granted Rome, Milan and Naples, with beyond rights; no mention was made of the reciprocal rights of the Italian airlines which were then being established. A subsequent agreement, of March 24, 1950, laid down the American points for our airlines: New York and Boston only, with no beyond rights. In other words, the Italian airliners, after landing at the two American cities, could not take on passengers or freight to fly on into the U.S. or towards other countries, such as Mexico, Brazil, Argentina, etc.

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They could only about-face, and this is still the situation except that subsequently Alitalia was granted Chicago and the U.S. airlines Turin.

All through these years Italy has been unsuccessfully asking its "Ally" for the right to fly on to Los Angeles after landing at New York and taking on passengers and freight. Every attempt at widening the skies for our airlines was rejected. Practically the Americans have made it impossible for Alitalia, which is one of the world's six or seven largest airlines, to fly around the globe: from the Atlantic to the Pacific the skies are closed to Italian airlines.

This is not only a matter of prestige, but also one of indispensable economic instruments, of a better utilization of aircraft, which make money only when they fly. Alitalia is the only major airline which, having no network around the globe, has been unable to pick up that "feeder traffic" which helps lower substantially the operating costs. Difficulties in triangular connections between continents, added operating costs: these are the practical consequences of the American "veto" to the Italian ally.

Actually the Americans would be willing to grant Alitalia the "fifth freedom", but the concessions requested in exchange are such that, if accepted, they would result in putting the future of our airline into American hands. In exchange of Italy's beyond New York rights, the U.S. airlines operating in Italy demand two more weekly frequencies (in addition to the present five) for Seaboard, which specializes in the fast-growing sector of freight-carrying; an increase in passenger flights (with the risk of a dumping against Alitalia), and finally beyond rights for U.S. airlines to North Africa and Spain, so as to favor the big American travel organizations, which would thus take American tourists around the world without ever letting go of him. The big stake, and implicitly the future of airlines, is the winning of the tourist movement. After the recent measures adopted by Johnson, who in order to save the dollar wants to shut off U.S. tourism, competition has become stronger among the airlines which concentrate on the Atlantic.

In the field of air transport, the U.S. has radically changed its attitude over the past few years. After strenuously upholding "freedom of the sky" when they held a practical monopoly of the big routes, now that European competition has bitten into its privileged position, it advocates an "apportionment of the traffic", naturally reserving for itself the lion's share.

The denouncing of the Agreement last May has globally reopened the question of Italy-U.S. relations. To settle the dispute as quietly as possible, after the denouncing [of the Agreement] it was decided to lay the problem before the CAB, and on January 29 Alitalia's North America Director Filippo Leccese pleaded the Italian position before CAB Examiner Edward Stodola. The American airlines, which had asked to attend the hearing, demanded that Alitalia be

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required to previously disclose its plans and timetables of future services to the U.S. Alitalia disdainfully rejected such a demand, not only because it would have meant putting itself into the hands of its competitors, but also because Alitalia would be the only foreign airline operating in the U.S. to be subjected to this humiliating treatment.

In the face of the firm Italian stand, the U.S. airlines have asked the CAB to extend this measure to all foreign airlines, But the likelihood of this being accepted is scarce, for this would cause a series of denunciations of bilateral agreements regulating aviation relations between the U.S. and France, Holland, Sweden, etc. The discussions having reached an impasse, the CAB examiner decided to postpone the decision to February 29, after a further study of the various positions. After the 29th, as customary, CAB, after hearing the parties, will send a report to the White House, which will make the final decision. In the meantime at Palazzo Chigi they keep silent.

[redacted]

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